

Waste Management Announces Fourth Quarter and Full-Year 2013 Earnings

Company sees strong cash generation in 2013 and expects continued strength in 2014

HOUSTON – February 18, 2014 – Waste Management, Inc. (NYSE: WM) today announced financial results for the fourth quarter and for the year ended December 31, 2013. Revenues for the fourth quarter of 2013 were \$3.50 billion compared with \$3.43 billion for the same 2012 period. Net loss^(a) for the quarter was \$605 million, or a negative \$1.29 per diluted share, compared with net income of \$224 million, or \$0.48 per diluted share, for the fourth quarter of 2012. Adjusting for certain items discussed below, net income would have been \$263 million, or \$0.56 per diluted share, in the fourth quarter of 2013 compared with \$267 million, or \$0.57 per diluted share, in the fourth quarter of 2012.^(b)

For the full year 2013, the Company reported revenues of \$13.98 billion compared with \$13.65 billion for 2012. Earnings per diluted share were \$0.21 for the full year 2013 compared with \$1.76 for the full year 2012. On an as-adjusted basis, excluding certain items, earnings per diluted share were \$2.15 for the full-year 2013 versus \$2.08 for the full-year 2012.^(b)

“We built strong momentum during the first three quarters of 2013, and that momentum continued into the fourth quarter, with our traditional solid waste business growing both adjusted income from operations margin and adjusted operating EBITDA margins by 150 basis points,”^(b) said David P. Steiner, President and Chief Executive Officer of Waste Management.

“In the fourth quarter, however, we had a year-over-year increase of \$0.09 per share from accruals related to incentive compensation and risk management. Absent this, our strong year-over-year earnings momentum would have continued in the quarter. And our momentum continued into 2014, with preliminary January results showing year-over-year income from operations increasing 12% and income from operations margin growing about 110 basis points compared to January 2013.”^(c)

In the fourth quarter of 2013, as-adjusted results excluded a negative \$1.85 per diluted share impact from impairments primarily related to goodwill in the Company’s waste-to-energy business, as well as certain post-collection assets and investments. First, the Company’s 2013 year-end impairment testing resulted in a \$483 million impairment charge to its waste-to-energy goodwill, due to the Company’s view that projected long-term energy prices and disposal volumes into the plants will not dramatically improve from current levels. As a result, the projected long-term cash flows from the Company’s waste-to-energy business no longer support the goodwill allocated to that business over 20 years ago, when the waste-to-energy business was acquired.

Second, with respect to the Company’s post-collection assets, at year-end the Company completed an asset rationalization analysis and decided to mothball or shut down several post-collection facilities. The Company determined that the current volumes available to these facilities could be handled at other Company locations. If volumes available to the

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mothballed facilities increase in the future, the Company could re-activate permitting efforts or operations at these facilities.

Steiner continued, "In looking at the full year, we are very pleased with our overall operating results for 2013. At the beginning of the year, we expected to grow earnings and free cash flow, increase yield, and have more discipline around SG&A costs and capital spending. We achieved each of these goals, as we met our adjusted full-year earnings per share and free cash flow targets, despite much stronger than expected headwinds from our recycling and waste-to-energy businesses. We also lowered SG&A costs when compared to 2012. And, our internal revenue growth from yield in the fourth quarter was at its highest level for the year and was greater than 2.0% for the full-year for the first time since 2010.

"In 2013, we grew net cash provided by operating activities nearly 7%, to \$2.46 billion, and free cash flow by 60%, generating \$1.32 billion of free cash. We returned \$922 million to our shareholders in 2013, an increase of 40% from 2012, through our dividend and common stock repurchases. For 2014, our Board has indicated its intention to increase our dividend by \$0.04 to \$1.50 per share annually and has authorized \$600 million of share repurchases."

KEY HIGHLIGHTS FOR THE FOURTH QUARTER 2013 AND THE FULL YEAR 2013

- Revenue in the fourth quarter increased by 1.9%, or \$66 million. For the full year, revenue increased by 2.4%, or \$334 million.
- Internal revenue growth from yield for collection and disposal operations was 2.4% for the fourth quarter and 2.1% for the full year.
- Core price increases, which consist of price increases and fees (excluding fuel surcharges), net of rollbacks, were 4.0% for the fourth quarter compared to 2.5% for the fourth quarter of 2012, and were 3.8% for the full year compared to 2.9% for the full year 2012.
- Internal revenue growth from volume was negative 2.2% for the fourth quarter, or negative 1.5% excluding volumes from Superstorm Sandy in the fourth quarter of 2012. For the full year, internal revenue growth from volume was a negative 1.0%.
- Recycling operations negatively affected earnings by \$0.03 per diluted share in the fourth quarter when compared to the fourth quarter of 2012. For the full year, recycling operations negatively affected earnings by \$0.12 per diluted share when compared to the full year 2012, or \$0.10 more than anticipated in the Company's original earnings guidance.
- Operating expenses increased by \$43 million in the fourth quarter and \$233 million for the full year. In both the fourth quarter and full year, the majority of the increases were for costs associated with operating recently acquired businesses and labor expense increases.
- SG&A expenses in the fourth quarter were 10.7% of revenue compared to 10.4% in the prior year period, primarily as a result of incentive compensation accruals. For the full year, SG&A expenses improved to 10.5% of revenue from 10.8% in the prior year, despite an additional \$92 million related to incentive compensation accruals.
- In the fourth quarter, net cash provided by operating activities was \$597 million; capital expenditures were \$447 million; and free cash flow was \$175 million.^(b) For the full year 2013, net cash provided by operating activities was \$2.46 billion; capital expenditures were \$1.27 billion; and free cash flow was \$1.32 billion, or \$1.18 billion excluding divestitures.^(b) In order to partially offset cash flow headwinds from the expiration of bonus depreciation in 2014, the Company pre-paid \$51 million of 2013 earned incentive compensation that would have normally been paid in 2014, which negatively affected free cash flow in 2013, but will

improve cash flow in 2014.

- The Company returned \$410 million to shareholders in the fourth quarter of 2013, consisting of \$171 million in dividends and \$239 million in common stock repurchases. For the full year, the Company returned \$922 million to shareholders, consisting of \$683 million in dividends and \$239 million in common stock repurchases.
- The recurring tax rate was approximately 34.6% in the fourth quarter and for the full year.

2014 OUTLOOK

The Company announced the following with regard to its financial outlook for 2014:

- 2014 adjusted earnings per diluted share are expected to be between \$2.30 and \$2.35. Free cash flow for 2014 is projected to again exceed \$1.3 billion, assuming about \$100 million of divestitures.^(b)
- Internal revenue growth from yield on the collection and disposal business is expected to be approximately 2.0% and internal revenue growth from volume is expected to be approximately a negative 1.0%.
- Recycling operations improvements are expected to offset modest recycling commodity sales price declines such that the recycling line of business is expected to be flat in 2014 compared to 2013.
- The tax rate is expected to be approximately 35.0%.
- Capital expenditures are expected to be approximately \$1.2 to \$1.3 billion.
- Interest expense is anticipated to be approximately \$480 million.
- The Company expects to spend between \$100 and \$250 million on tuck-in acquisitions in its traditional solid waste operations.
- The Board of Directors has announced its intention to increase the dividend to \$1.50 per share on an annual basis, for an approximate annual cost of \$700 million. The Board must separately declare each dividend. The Board has also authorized up to \$600 million of share repurchases.

Steiner concluded, "We expect 2014 to show solid earnings and cash flow driven by increased yield and continued cost controls. In 2013, we laid a foundation that we expect will continue to benefit us in 2014. In the full-year 2013 and in the fourth quarter of 2013, we grew income from operations dollars and margins in each of our collection lines of business, despite negative volumes. This demonstrates that we are making the right trade-off between yield and volumes. That trade-off should once again lead to strong free cash flow in 2014. We expect to continue to use our free cash to pay our dividend, repurchase shares, reduce debt, and to make acquisitions in our traditional solid waste business."

(a) For purposes of this press release, all references to "Net loss" and "Net income" refer to the financial statement line items "Net income (loss) attributable to Waste Management, Inc." and "Net income attributable to Waste Management, Inc.," respectively.

(b) This press release contains a discussion of non-GAAP measures, as defined in Regulation G of the Securities Exchange Act of 1934, as amended. The Company reports its financial results in compliance with GAAP, but believes that also discussing non-GAAP measures provides investors with (i) additional, meaningful comparisons of current results to prior periods' results by excluding items that the Company does not believe reflect its fundamental business performance and are not representative or indicative of its results of operations and (ii) financial measures the Company uses in the management of its business. Accordingly, net income and earnings per diluted share have been presented in certain instances excluding items identified in the reconciliations provided.

The Company's projected full year 2014 earnings per diluted share is not based on GAAP net earnings per diluted share and

are anticipated to be adjusted to exclude the effects of events or circumstances in 2014 that are not representative or indicative of the Company's results of operations. Projected GAAP earnings per diluted share for the full year would require inclusion of the projected impact of future excluded items, including items that are not currently determinable, but may be significant, such as asset impairments and one-time items, charges, gains or losses from divestitures or litigation, or other items. Due to the uncertainty of the likelihood, amount and timing of any such items, the Company does not have information available to provide a quantitative reconciliation of adjusted projected full year earnings per diluted share to a GAAP earnings per diluted share projection.

This press release includes adjusted income from operations margin and adjusted operating EBITDA margin for our traditional solid waste business, which is comprised of collection, transfer and disposal services. The Company defines operating EBITDA margin as income from operations, before depreciation and amortization, as a percent of revenues. This measure may not be comparable to similarly titled measures reported by other companies. Management uses operating EBITDA as an indicator of the Company's operating performance and ability to pay dividends, fund acquisitions, capital expenditures and other investments and, in the absence of refinancing, to repay debt obligations. The Company's calculation of adjusted income from operations margin and adjusted operating EBITDA margin excludes the impact of the impairment charges noted in the press release. Management believes adjusted income from operations and adjusted operating EBITDA are helpful to investors evaluating the Company's operating performance because certain non-cash costs and other items that management believes are not representative of our performance or indicative of our results of operations are excluded. Adjusted income from operations margin and adjusted operating EBITDA margin are supplemental non-GAAP measures and should not be considered an alternative to net income or income from operations.

The Company also discusses free cash flow and provides a projection of free cash flow, which is a non-GAAP measure, because the Company believes that it is indicative of its ability to pay its quarterly dividends, repurchase common stock, fund acquisitions and other investments and, in the absence of refinancings, to repay its debt obligations. Free cash flow is not intended to replace "Net cash provided by operating activities," which is the most comparable U.S. GAAP measure. However, the Company believes free cash flow gives investors useful insight into how the Company views its liquidity. Nevertheless, the use of free cash flow as a liquidity measure has material limitations because it excludes certain expenditures that are required or that the Company has committed to, such as declared dividend payments and debt service requirements. The Company defines free cash flow as:

- Net cash provided by operating activities
- Less, capital expenditures
- Plus, proceeds from divestitures of businesses (net of cash divested) and other sales of assets.

The Company's definition of free cash flow may not be comparable to similarly titled measures presented by other companies, and therefore is not subject to comparison.

The quantitative reconciliations of non-GAAP measures used herein to the most comparable GAAP measures are included in the accompanying schedules, with the exception of (i) projected earnings per diluted share and (ii) adjusted income from operations and adjusted operating EBITDA margins for our traditional solid waste business, as such measures focus only on a subset of our operations and are not calculated using GAAP measures available in our financial statements. Non-GAAP measures should not be considered a substitute for financial measures presented in accordance with GAAP, and investors are urged to take into account GAAP measures as well as non-GAAP measures in evaluating the Company.

- (c) References to January results are drawn from the monthly general ledger; as such, these results remain subject to review and adjustment in connection with the full rigor of our quarterly financial reporting process. This information is provided to evidence trends observed during January, but readers should not rely on the precision of this information. Additionally, readers should not assume that January results are indicative of the full first quarter of 2014. The Company's business is subject to many risks and uncertainties that could cause final, reported results for the month of January and the first quarter of 2014 to be materially different from these preliminary indicators.

The Company will host a conference call at 10:00 AM (Eastern) today to discuss the fourth quarter and full year 2013 results. Information contained within this press release will be referenced and should be considered in conjunction with the call.

The conference call will be webcast live from the Investor Relations section of Waste Management's website www.wm.com. To access the conference call by telephone, please dial (877) 710-6139 approximately 10 minutes prior to the scheduled start of the

call. If you are calling from outside of the United States or Canada, please dial (706) 643-7398. Please utilize conference ID number 31500809 when prompted by the conference call operator.

A replay of the conference call will be available on the Company's website www.wm.com and by telephone from approximately 1:00 PM (Eastern) Tuesday, February 18, 2014 through 5:00 PM (Eastern) on Tuesday, March 4, 2014. To access the replay telephonically, please dial (855) 859-2056, or from outside of the United States or Canada dial (404) 537-3406, and use the replay conference ID number 31500809.

The Company, from time to time, provides estimates of financial and other data, comments on expectations relating to future periods and makes statements of opinion, view or belief about current and future events. This press release contains a number of such forward-looking statements, including but not limited to all statements under the heading "2014 Outlook" and statements regarding, 2014 earnings per diluted share and earnings growth; 2014 free cash flow; future internal revenue growth from yield and volume; results from pricing, capital management and cost control and reduction initiatives; future recycling commodity prices; results from recycling operations; future uses of free cash flow; future acquisitions and investments; future dividend rates and shares repurchases; plant closures and other actions in response to our asset rationalization analysis and the ability to use impaired assets in the future. You should view these statements with caution. They are based on the facts and circumstances known to the Company as of the date the statements are made. These forward-looking statements are subject to risks and uncertainties that could cause actual results to be materially different from those set forth in such forward-looking statements, including but not limited to, increased competition; pricing actions; failure to implement our optimization, growth, and cost savings initiatives and overall business strategy; environmental and other regulations; commodity price fluctuations; disposal alternatives and waste diversion; declining waste volumes; failure to develop and protect new technology; significant environmental or other incidents resulting in liabilities and brand damage; weakness in economic conditions; failure to obtain and maintain necessary permits; labor disruptions; impairment charges; and negative outcomes of litigation or governmental proceedings. Please also see the Company's filings with the SEC, including Part I, Item 1A of the Company's most recently filed Annual Report on Form 10-K, for additional information regarding these and other risks and uncertainties applicable to our business. The Company assumes no obligation to update any forward-looking statement, including financial estimates and forecasts, whether as a result of future events, circumstances or developments or otherwise.

ABOUT WASTE MANAGEMENT

Waste Management, Inc., based in Houston, Texas, is the leading provider of comprehensive waste management environmental services in North America. Through its subsidiaries, the company provides collection, transfer, recycling and resource recovery, and disposal services. It is also a leading developer, operator and owner of waste-to-energy and landfill gas-to-energy facilities in the United States. The company's customers include residential, commercial, industrial, and municipal customers throughout North America. To learn more information about Waste Management visit www.wm.com or www.thinkgreen.com.

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